

MACRO DAILY

01 September 2020

Macro developments

- Centre's fiscal deficit continues to remain elevated as revenue receipts are in free fall while spending is maintained. Net tax revenues were down by 40.6% in FYTD21 (Apr-Jul) versus 14% increase in FYTD20. This was driven by 33.2% decline in direct taxes and 27% drop in indirect taxes, versus 5.8% and 7.2% increase respectively in FYTD20. Total spending is up by 11.3% (revenue spending at 12.2%, capex at 3.9%).
- RBI has taken measures to improve system liquidity. It has announced special OMOs of another Rs 200bn in Sep'20. It will also conduct term repos of Rs 1tn. Further, banks that had availed funds under LTROs are allowed to refinance their borrowings via these term repo auctions at lower costs. RBI has also allowed banks to hold fresh securities acquired from Sep'20-Mar'20 in the HTM bucket up to 22% of NDTL.
- South Korea's exports contracted for the 6th straight month in Aug'20 by 9.9% (est. 11.5% decline) versus 7.1% in Jul'20. This was attributed to fewer working days even as global demand has picked up. Manufacturing PMI rose to a 6-month high at 48.5 in Aug'20 from 46.9 led by a pickup in new exports orders.

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Markets

- Bonds:** Global yields closed mixed. US 10Y yield fell by 2bps (0.7%) as Fed's Vice Chair said that low rate of unemployment will not trigger higher interest rates. Crude prices rose by 0.5% (US\$ 45/bbl) on hopes of revival in demand. India 10Y yield fell by 3bps (6.12%) supported by RBI's measures. It is trading far lower at 5.94% today.
- Currency:** Except JPY and INR, global currencies closed higher against the dollar. DXY fell by 0.2% to its lowest since May'18 on expectations of lower rates. JPY depreciated by 0.5% amidst uncertainty over new PM. INR too fell by 0.3% on reports of India-China border dispute. However, it is trading higher today, in line with other Asian currencies.
- Equity:** Barring Nikkei, other global indices ended lower as investors continued to monitor COVID-19 developments. Sensex (2.1%) declined the most led by geopolitical developments between India and China. It was further dragged down by real estate and power stocks. However, it is trading higher today; while Asian stocks are trading mixed.



FIG 1 – MOVEMENT IN KEY GLOBAL ASSET CLASSES

Particulars	Current	1D	1W	1M	3M	12M
10Y yields (Δ bps)						
US	0.70	(2)	5	18	5	(79)
UK	0.31	0	10	21	8	(10)
Japan	0.05	(1)	2	3	4	32
Germany	(0.40)	1	9	13	1	31
India	6.12	(3)	(5)	28	34	(44)
China	3.02	(5)	2	5	29	(6)
2Y yields (Δ bps)						
US	0.13	0	(2)	3	(3)	(137)
UK	(0.06)	0	(2)	1	(5)	(39)
Japan	(0.11)	0	(1)	1	2	19
Germany	(0.65)	1	3	6	0	28
India	4.46	(2)	10	27	3	(132)
China	2.50	(2)	5	25	89	(8)
Currencies (Δ %)						
EUR	1.1936	0.3	1.3	1.3	7.2	8.8
GBP	1.3370	0.1	2.4	2.2	7.0	10.8
JPY	105.91	(0.5)	0.1	(0.1)	1.6	0.3
AUD	0.7376	0.1	3.0	3.3	8.5	9.8
INR	73.62	(0.3)	0.9	1.6	2.5	(3.1)
CNY	6.8485	0.2	1.0	1.8	3.9	4.5
Equity & Other indices (Δ %)						
Dow	28,430	(0.8)	0.4	7.6	11.6	7.7
FTSE	5,964	(0.6)	(2.3)	1.1	(3.3)	(18.1)
DAX	12,945	(0.7)	(0.9)	5.1	11.7	8.3
NIKKEI	23,140	1.1	0.7	6.6	4.9	12.2
Shanghai Comp	3,396	(0.2)	0.3	2.6	16.5	16.1
SENSEX	38,628	(2.1)	(0.4)	2.7	16.0	3.5
Brent (US\$/bbl)	45.28	0.5	0.3	4.6	18.2	(22.8)
Gold (US\$/oz)	1,968	0.2	2.0	(0.4)	13.1	28.7
CRB Index	393.1	0.5	1.5	4.1	6.9	1.5
Rogers Agri Index	739.1	0.1	2.4	5.6	10.2	8.3
LIBOR (3M)*	0.24	(1)	1	(1)	(10)	(189)
INR 5Y Swap*	5.64	(8)	10	50	49	(51)
India FII data (US\$ mn)						
	28 Aug	27 Aug	WTD	MTD	CYTD	FYTD
FII-Debt	(256.9)	(177.7)	(501.0)	(531.6)	(15,059.3)	(5,299.8)
FII-Equity	65.1	192.7	858.0	6,415.9	5,127.7	11,730.7

Source: Bloomberg, Bank of Baroda | *Indicates change in bps

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